

Document your travel deductions with care

by Morey Stettner, editor
Executive Wealth Advisory

IRS auditors often target business travel write-offs. Yet many taxpayers skimp on the paperwork and ignore the complex rules. You should keep meticulous records and use one of the IRA-approved shortcuts to reduce paperwork.

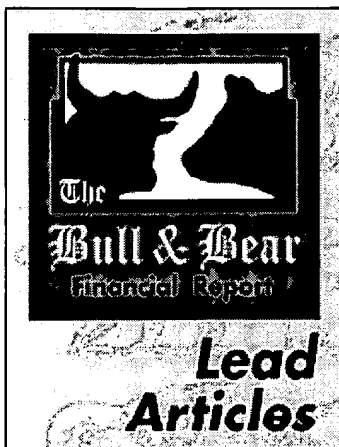
Travel expenses. For every business trip, you must record the purpose, destination, dates and amount of each expense. Receipts are required for all lodging expenses. Normally, only 50 percent of your qualified meals and entertainment costs are deductible. Keep receipts for any meal or entertainment over \$75. Regardless of amount, you must always substantiate the time, place and business reason.

Travel shortcut: Use one of the IRS-approved per diem allowance methods instead of recording every expense. Get IRS Publication 1542, *Per Diem Rates*. The amount of a per diem write-off depends on the location of your trip, and this publication lists all the necessary figures for different areas. After you find your destination, the government gives you three deduction choices:

1. Meal rate only. When traveling in the continental United States, you can deduct a per diem rate established for each city. Then you only have to track your lodging costs.

2. Lodging and meal rate. You can use a larger combined allowance that covers both meals and hotels. This way, you avoid having to record any expenses. Example: The combined 1999 per diem for El Paso is \$116 (\$38 for meals). For San Francisco, it is \$175 (\$46 for meals). Subtract 50 percent of the meal cost to arrive at your deduction.

3. High-low rate. You can use a per diem method that classifies every area in the continental United States as either expensive or cheap. The 1999 allowance for high-priced areas is a flat \$185 (\$42 for meals). For other regions, the per diem is a flat \$115 (\$34 for meals). Your actual deductions amount to \$164 and \$98 a day, respectively, once you take into account the 50 percent limit on meals. Another option is for your company to elect one of the per diem methods for a particular employee but then use another method for other staffers. Before deciding, consider the probable travel destinations



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Warnings: Self-employed individuals can't use the "high-low rate," but they can use the meals-only allowance if they record their lodging expenses. And employees who own 10 percent or more of the business can't use these methods.

Editor's Note: Morey Stettner is editor of Executive Wealth Advisory, 1750 Old Meadow Rd., Ste. 302, McLean, VA 22102, 1 year, 12 issues, \$125.

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